

CITY OF *Alexandria* VIRGINIA



FY 2010 Proposed Budget

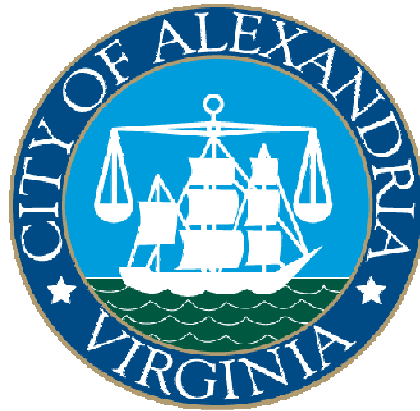


M A N A G I N G F O R R E S U L T S

FY 2010 Budget Work Session

Personnel and Compensation

February 18, 2009



Total Compensation Decreased By 3.2%

- Total compensation decreases due to:
 - Freeze on employee pay
 - No market rate adjustment (MRA) or cost of living adjustment (COLA)
 - No one-time pay supplement proposed
 - Reduction in staffing



Total Compensation Decreased By 3.2%

Title	FY 2009 Approved	FY 2010 Proposed	\$Change FY09/10	%Change FY09/10
Total Salary	\$184.2	\$178.2	(\$6.0)	(3.3%)
<u>Fringe</u>				
FICA	13.0	12.8	(0.2)	(1.8%)
Retirement	32.9	31.4	(1.4)	(4.4%)
Health	19.7	19.3	(0.4)	(1.8%)
Other*	1.8	1.7	(0.1)	(7.3%)
Total Fringe	67.4	65.2	(2.2)	(3.2%)
Total Personnel	\$251.6	\$243.4	(\$8.2)	(3.2%)

*Includes Group Life; Workers Compensation; Clothing/Car Allowances; Unemployment; Recruitment; Long Term Disability

Reference: Page 8-3 of the FY 2010 Proposed Budget



City Workforce: Hiring Freeze Continues

- In July 2008 the City Manager implemented a soft hiring freeze.
- Each request to advertise and recruit to a fill vacant position is reviewed by OMB and then the City Manager.
- Generally, only positions in the public safety or social service lines of business, those that generate revenue, assist in economic development, or that are funded by grants are being approved.
- As of late January 2009, there are approximately 240 vacant positions city-wide. This equates to around 9% of the total workforce.



City Workforce: City-wide Vacancy Totals

	November 2008	December 2008	January 2009
	Total Positions*	Total Positions	Total Positions
No Requests to Fill	138	146	169
Requests Pending with CMO to Advertise/Recruit	14	19	18
Subtotal	152	165	187
New Requests Approved for Advertising/Recruiting but Still Vacant	65	61	53
Grand Total Vacant Positions	217	226	240

* Total positions includes full and part-time positions.

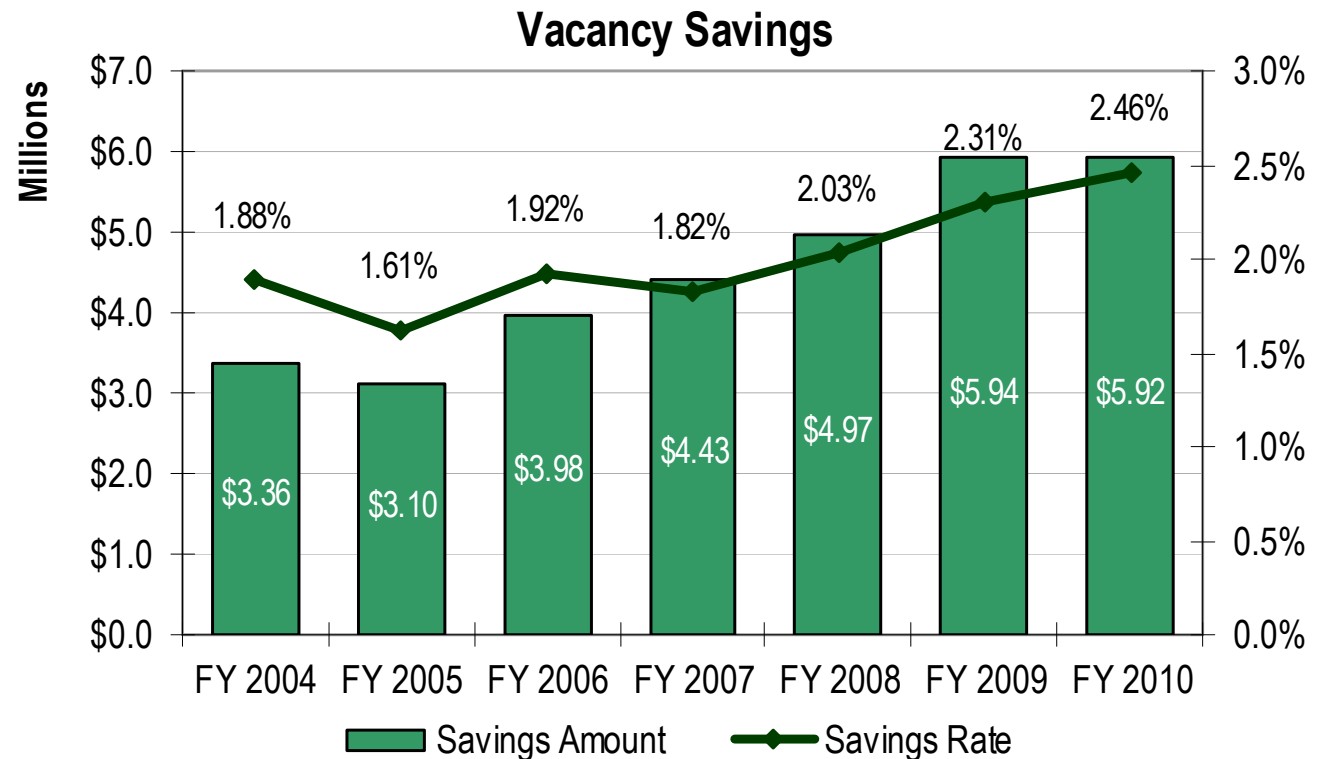
From November 2008 – January 2009 the total number of vacant positions city-wide increased by 23 positions.

The number of positions being held open with “No Requests to Fill” increased by 31 positions.



City Workforce: Vacancy Savings

The proposed budget includes a vacancy savings amount of \$5.92 million. This is only \$0.02 million less than the FY 2009 amount in total.



Reference: Page 8-3 of the FY 2010 Proposed Budget.



City Workforce: Staffing Reductions

- In FY 2010, the City workforce will be reduced by 121 funded full and part-time positions.
 - 74 vacant positions to be eliminated
 - 17 employees affected by conversions, downgrades or possible retirements
 - 30 positions will be subject to a reduction in force (RIF)
- The elimination of 121 positions reduces the City's full-time equivalent (FTE) count by 103.88.



City Workforce: Staffing Reductions

- Three departments will have FTE's increase in the FY 2010 proposed budget:
 - Fire Department – 5 FTE's
 - Mental Health/Mental Retardation/Substance Abuse – 6.3 FTE's
 - Transportation & Environmental Services – 1 FTE
- The addition of these FTE's results in a net FTE reduction of 91.6 in FY 2010.

(Note: 1.00 FTE represents a position working full-time at 80 hours per pay period. FTE's that are less than 1.00 represent a position that works less than full-time hours.)



City Workforce: Staffing Reductions

- A list of each position that is being reduced can be found starting on page 8-8 of the proposed budget.
- Additional details on each position can be found in each impacted department's budget text.
- The budget includes \$282,000 to fund severance payments and leave buy-outs for those affected employees who ultimately separate from City service.
- A revised RIF procedure has been issued (see page 23-19 of the FY 2010 budget document).



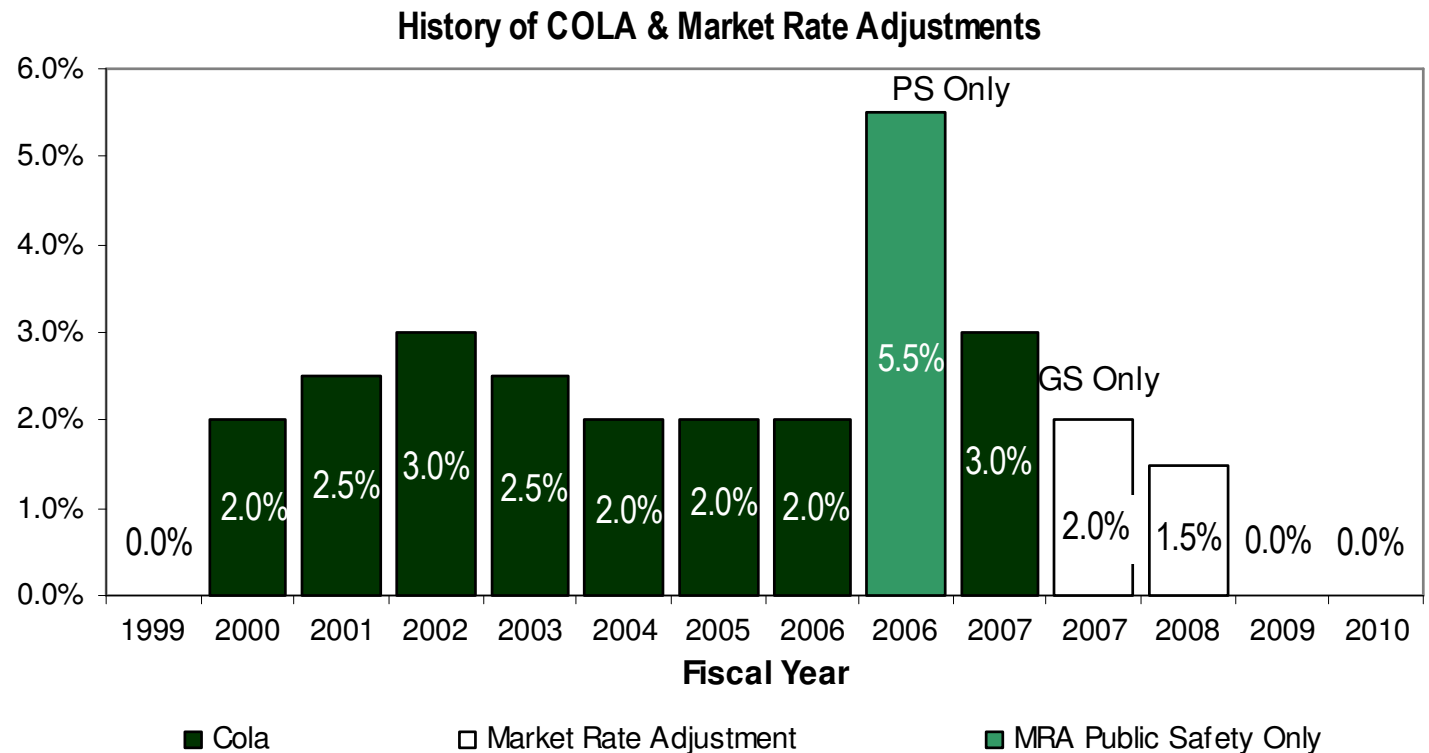
Employee Pay: Overview

No Step/Merit

Pay frozen for first time since 1990's

No market rate adjustment (MRA) or cost of living adjustment (COLA)

Living wage rate frozen at FY 2009 level of \$13.13 per hour



Reference: Page 8-12 of the FY 2010 Proposed Budget.



City of Alexandria

Personnel and Compensation

Employee Pay: Compensation Option Costs

Compensation Option Not Recommended	Cost
FY 2009 One-time \$500 pay supplement and longevity step	\$2.0 Million
Step/Merit Increase in FY 2010 (City only)	\$ 2.6 Million
1% Market Rate Adjustment (includes City, ACPS and Transit employees)	\$3.8 Million

- The FY 2010 proposed budget includes \$1.9 million for the annualized cost of step/merit increases in FY 2010 approved during FY 2009.



Employee Pay: Furloughs

- In the proposed budget, furloughs are not included as a cost savings option.
- This option is appropriate only as a last minute/emergency measure. This option does not have a sustainable impact on future budgets unless it is repeated again.
- The estimated savings from a city-wide furlough varies depending on which employees are included in the furlough.

One-day Furlough Option

Savings Possible

Furlough Exempting Public Safety and

Other Essential Employees

\$565,058



City of Alexandria

Personnel and Compensation

Employee Benefits: Health Care

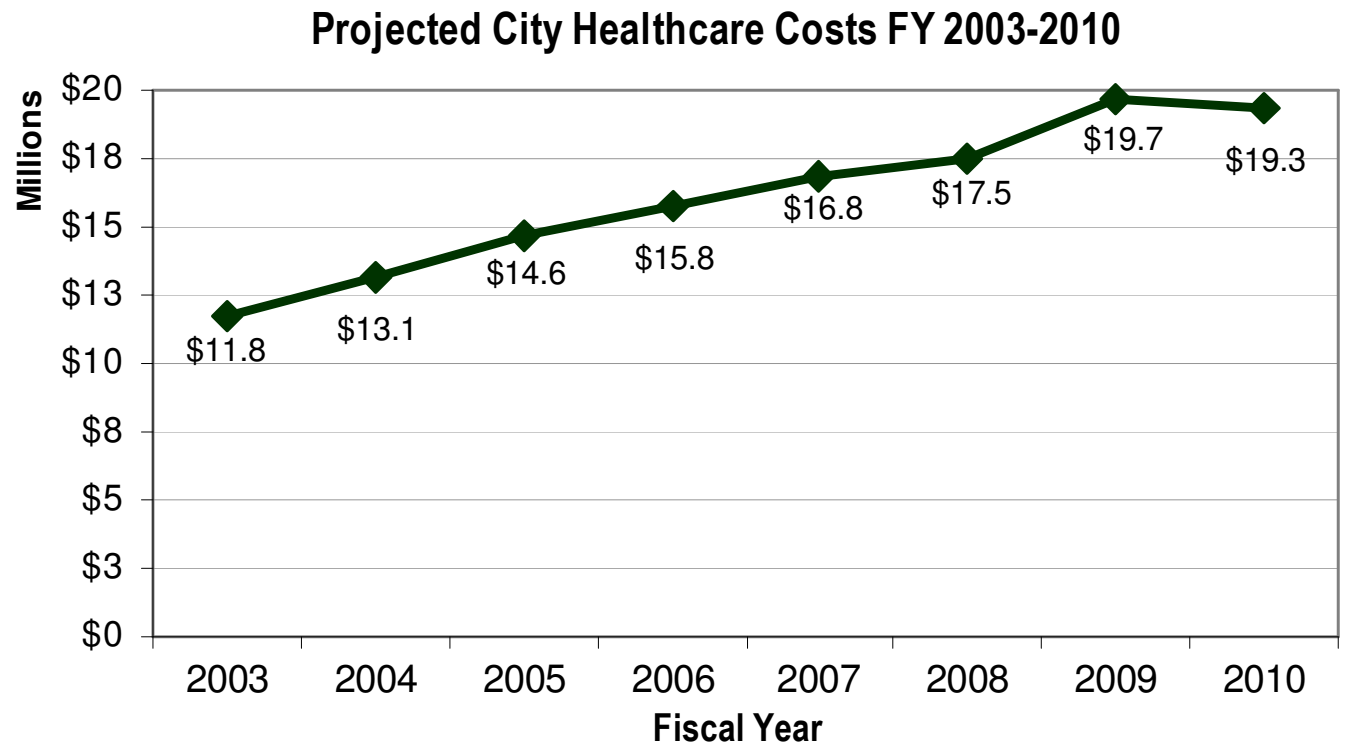
- Budgeted City healthcare costs decline by \$0.4 million or 1.8%
- Healthcare premiums will increase by 4% (Kaiser) and 10% (United Healthcare) depending on the type of plan.
- Lower than initially expected premium increases for the Kaiser Permanente plan results in a reduction of \$515,000 for health insurance costs (10% vs. 4 %).
- City continues to use the self-funded healthcare model with United Healthcare. This model is expected to generate \$1.1 million in savings annually once adequate reserves are established.
- Moving to a self-funded model with Kaiser Permanente was discussed but is not proposed at this time because savings were not sufficient.



Employee Benefits: Health Care

Budgeted health care costs decrease by 1.8%

Costs decline because 121 positions are eliminated



Reference: Page 8-16 of the FY 2010 Proposed Budget.



Employee Benefits: Health Care

4% premium increase for Kaiser Permanente plans

10% premium increase for United Healthcare plans

Employees also incur additional costs for co-pays and prescriptions

Expected FY 2010 Plan Costs						
		Monthly Employee Share		Monthly City Share		Total Monthly Premium
Kaiser						
HMO	Single	\$42.2	10%	\$380.1	90%	\$422
	Family	\$99.6	10%	\$896.8	90%	\$996
POS	Single	\$171.5	31%	\$380.1	69%	\$552
	Family	\$393.6	31%	\$896.8	69%	\$1,290
Optimum Choice (United Healthcare)						
HMO	Single	\$47.6	10%	\$428.7	90%	\$476
	Family	\$112.4	10%	\$1,011.7	90%	\$1,124
PPO	Single	\$140.2	25%	\$428.7	75%	\$569
	Family	\$319.4	24%	\$1,011.7	76%	\$1,331

Reference: Page 8-16 of the FY 2010 Proposed Budget



Other Post Employment Benefits (OPEB)

- Budget includes \$2.5 from the General Fund operating budget million to fund its OPEB obligations
- City is in the second year of a multi-year plan to address its unfunded liabilities for future benefits to City employees after retirement.
- City will gradually increase its annual funding for OPEB obligations to \$11.4 million.
- There is no change to retiree health benefits of a maximum of \$3,120 per year.



Other Post Employment Benefits (OPEB)

CASH FLOW PROJECTIONS

Other Post Employment Benefits

Plan for Funding

	2009	2010	2011	2012	2013	2014	2015
Cash Flow	\$ 5.0	\$ 5.8	\$ 6.5	\$ 6.9	\$ 7.5	\$ 8.1	\$ 8.7
Medical Subsidy	\$ 1.9	\$ 2.2	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.6
Reimbursement	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.1	\$ 3.3	\$ 3.5	\$ 3.6
Life Insurance	\$ 0.8	\$ 0.9	\$ 1.0	\$ 1.1	\$ 1.2	\$ 1.4	\$ 1.5
Fund Balance Draw Down Planned	\$ 4.2	\$ 3.1	\$ 2.0	\$ 1.4	\$ -	\$ -	\$ -
New Funding	\$ 1.4	\$ 2.5	\$ 2.9	\$ 3.1	\$ 3.9	\$ 3.3	\$ 2.7
Total Annual Contributions	\$ 10.6	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4	\$ 11.4
Investible Funds	\$ 5.6	\$ 5.6	\$ 4.9	\$ 4.5	\$ 3.9	\$ 3.3	\$ 2.7
Fund Balance	\$ 6.0	\$ 12.5	\$ 18.8	\$ 25.0	\$ 31.0	\$ 36.9	\$ 42.5
Investment Assumption:	7.5%						
% of Annual Required Contribution Funded	94%	100%	100%	100%	100%	100%	100%

Reference: Page 8-17 of the FY 2010 Proposed Budget.



Employee Benefits: Life Insurance

- The budget for group life insurance decreases in FY 2010.
- In FY 2010, the City contribution for group life insurance will be reduced to 1x salary for future employees (starting after July 1, 2009).
- Reducing the City's contribution for group life insurance results in a savings of \$25,000.
- Contribution rates made by the City will not change for current employees.
- Future employees who wish to increase their group life insurance contribution can do so at their own cost.



Employee Benefits: Retirement

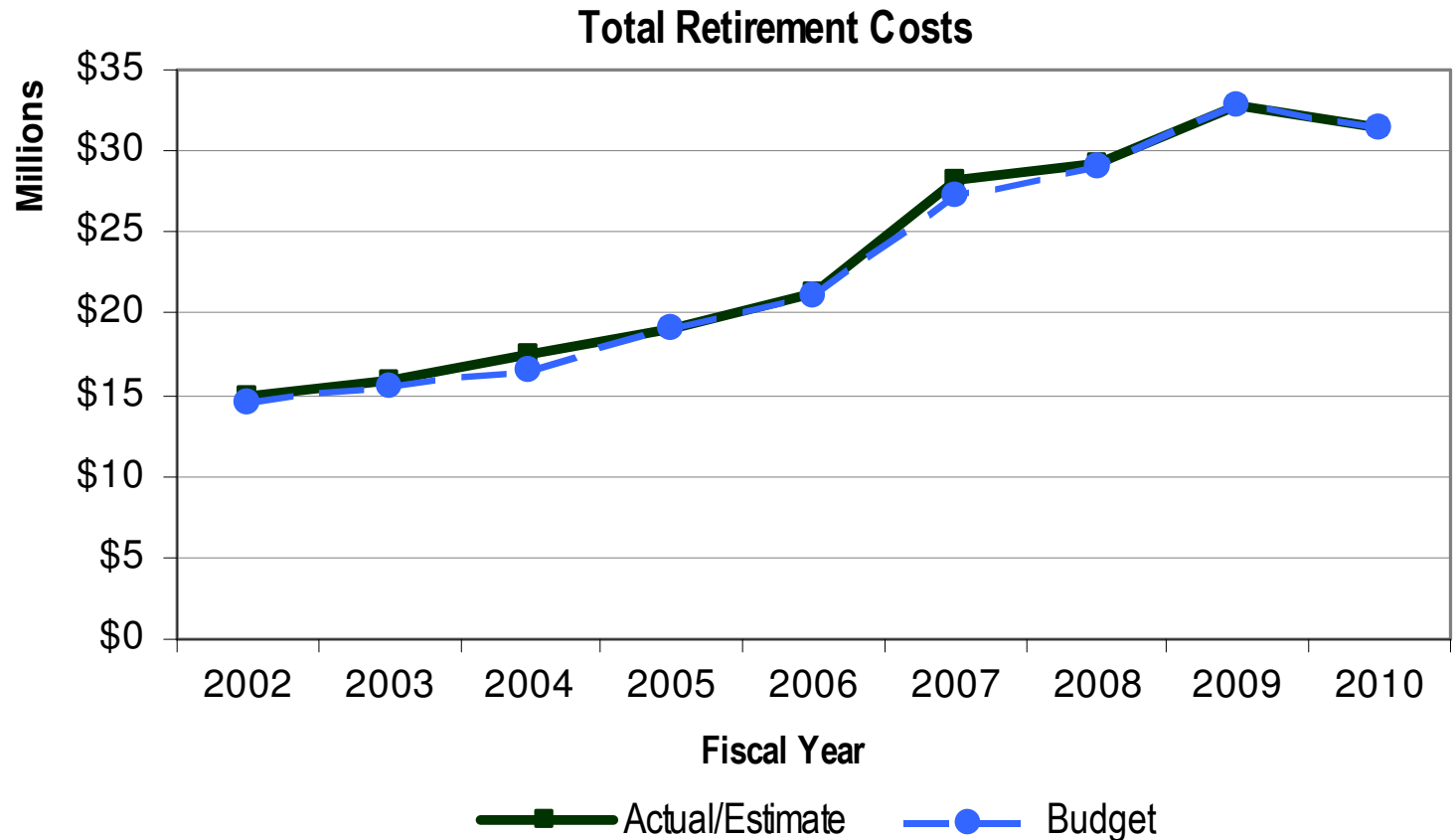
- The budget for retirement decreases in FY 2010 by 4.4%
- In FY 2010, future employees (starting after July 1, 2009) will begin to pay 2% of the City Supplemental Plan.
- This change results in \$185,000 in FY 2010 savings.
- Due to major stock market declines, it is expected that retirement contribution rates will rise in FY 2011.
 - A budget memo on will be prepared on this subject for City Council.



Employee Benefits: Retirement

Budget for retirement decreases by \$1.4 million in FY 2010 for a total of \$31.4 million

Costs decline because 121 positions are eliminated



Reference: Page 8-15 of the FY 2010 Proposed Budget.



Employee Benefits: Retirement

<i>Contribution Rates for City Employees</i>			Current Employees		Future Employees (Post July 1, 2009)	
Plan	FY 2009		FY 2010		FY 2010	
	City	Emp'ee	City	Emp'ee	City	Emp'ee
VRS	12.06%	-	12.07%	-	12.07%	-
City Supplemental Plan ^{4,5}	5.64%	-	5.60%	-	3.60%	2.00%
<i>VRS & City Supplement Total¹</i>	<i>17.70%</i>	<i>-</i>	<i>17.67%</i>	<i>-</i>	<i>15.67%</i>	<i>-</i>
Sworn Fire & Police ²	26.41%	8.0%	26.79%	8.0%	26.79%	8.0%
Deputy Sheriffs, Fire Marshals & ERT ³	22.35%	-	22.35%	-	22.35%	2.00%

¹ VRS includes only full-time GS employees; City Supplemental includes those working 20 hours or more.

² Employer contribution includes 2.35% for Disability Income Plan. Of the 8.0% employee contribution, 7.5% is for the Defined Benefit plan and 0.5% is for the Disability component.

³ This contribution includes VRS and the City Supplemental Plan plus a defined contribution amount of 1.79% to equal the Sworn Fire & Police FY 2008 contribution rate of 22.35%. This rate had not changed as the Sworn Fire & Police rate changed due to actuarial assumptions.

⁴ As of FY 2010 new employees will pay 2% into the supplemental retirement system.

⁵ For current employees the 2% employee share paid by the City will continue to be paid by the City but will be characterized as a City contribution. Thus, an employee who leaves before vesting will not be entitled to a refund of this contribution.

Retirement contribution percentages by the City vary by retirement plan

Starting in FY 2010 future employees will begin to pay 2% of the City Supplemental Plan

Reference: Page 8-15 of the FY 2010 Proposed Budget.



Employee Benefits: Wellness Program

- FY 2010 Wellness budget is decreased by \$5,193 to \$94,807.
- Benefits in the past for employees include:
 - Annual Health Fair
 - Health Screenings
 - Weight Watchers At-Work
 - Lunch time yoga classes at Gadsby's Tavern Museum
 - Free use of City recreation facilities
 - Discount memberships at the Alexandria YMCA
- Human Resources will be reevaluating effectiveness of these programs in FY 2010.



Employee Benefits: Other Benefits

- Employees are provided a transit benefit up to \$75 per month (with an option to contribute on a pre-tax basis up to \$45 of their own money).
- Tuition Assistance for education and training classes is provided based on availability of funding.



Creative Forms of Compensation

- City Employees will be given an extra day of leave in FY 2010.
- Leave accrual rates will be increased by .308 hours per pay period.

Example:

An employee with a leave accrual rate of 3.69 hours/pay period in FY 2009 will have a rate of 3.998 hours/pay period in FY 2010.

FY 2009: 3.69 hours x 26 pay periods = 95.94 hours of annual leave

FY 2010: 3.998 hours x 26 pay periods = 103.948 hours of annual leave

Difference of 8.008 hours (1 day) from FY 2009 to FY 2010

- The maximum accrual cap will not change.



Early Retirement Incentives

- Options to provide incentives for early retirement were seriously considered but not included in the proposed budget
- Complexities with the Virginia Retirement System (VRS) were identified as an issue.
- The volume of RIFs did not warrant the need to establish incentives to retire that would otherwise affect a much wider portion of the City workforce.

